

**PRESENTATION TO THE FIJI HOTEL
ASSOCIATION HOSPITALITY FORUM
BY SEMI TABAKANALAGI
DEPUTY GENERAL MANAGER (OPERATIONS)
NATIVE LAND TRUST BOARD**

The Naviti Resort

Thursday October 31, 2002

The Honorable Minister for Tourism, Distinguished Guests,
Ladies and Gentlemen.

Ni sa bula vinaka.

May I first of all offer an apology on behalf of my General Manager, Mr. Kalivati Bakani, who has to withdraw from participating at this forum at the very last minute due to some unforeseen circumstances.

My topic this afternoon is the role of NLTB in Partnership with Resource Owners in the Tourism Industry.

I believe that it is necessary to initially answer the question of whether NLTB should have a role at all. Section 4 of our Act states that “The control of all native land shall be vested in the Board and all such land shall be administered by the Board for the benefit of the Fijian owners.”

Taken in its strictest interpretation, NLTB’s role is limited to the administration of land for the benefit of the Fijian landowner, a view that was adopted by the organisation during its early years. Even up to recent times our role was restricted to the collection of rents and its subsequent distribution to landowners. This was understandable given that land was primarily leased for agricultural purposes and the quantum of lease rental collected was correspondingly minimal.

However, recently the NLTB Board had endorsed a Corporate Plan for the next three(3) years with a vision *to become a dynamic and efficient organisation that provides quality services in partnership with stakeholders to create wealth for the benefit of the Fijian landowners and the nation as a whole.*

To achieve this vision NLTB needs to:

- ◆ Effectively maintain and administer the current lease portfolio to ensure that the terms and conditions are adhered with.
- ◆ Facilitate the development of native land through effective land management policies and practices for maximum returns to the landowners.
- ◆ Explore opportunities for creation of wealth for the further development of the NLTB and the landowners.
- ◆ Ensure efficient utilisation of all resources at its disposal.
- ◆ To provide sound management and investment advise to landowners.
- ◆ To be transparent and instill integrity in all its dealings.
- ◆ To achieve good corporate governance and accountability.

CURRENT TOURISM BENEFITS ON NATIVE LAND

For the last 3 years, NLTB distributes an average of \$20million dollars net payments to landowners annually. These figures are most likely to increase considerably in the near future with current plans for increasing the number of leases plus the reversion of Crown Schedule A and B lands to native owners.

There are around 110 Tourism leases on native land that consists of around 0.35% of the total no of leases that we look after which rakes in around \$3 million in gross income or 12% of our total lease income portfolio.

Over the years, NLTB has been mere facilitators to tourism developments and this has raise concerns from landowners in particular as they compare the conditions and terms agreed to by old leases to the current ones. A prime example to this is, some of the current leases still have their lease rental capped of which is quite unfair if we look at by comparison to the adopted rates of those leases based on gross receipts. Another example is the timeshare leasing arrangement of wherein the sales are made offshore that does not allow the proceeds to be part of the lease rental payment to NLTB. Recently, we

negotiated with an established local entrepreneur who has agreed to pay us upfront premiums for all timeshare units and this will be NLTB's position into future timeshares.

Further, in most leases that we administer apart from the rent, the other participation clauses include employment preference, training and education. It is when the Lessees/hotel owners decide to work together in partnership with landowners that usually provides the security and good relation between them. For example, the Denarau Island provides for the existence of the Landowners Committee that continually meet with the operators in Denarau to ensure landowners concerns and benefits are adequately addressed. We encourage our lessees/hotel operators to promote similar initiatives that will ensure better coordination with the Fijian landowners.

NLTB's TOURISM PLAN FOR THE FUTURE

NLTB aims at developing native land for the benefit of Fijian Owners and at the same time facilitating the tourism initiatives of all our stakeholders. In tourism leases, our mission is to ensure that the Fijian Owners obtain a fair and just economical return. Equity participation is encouraged to initiate and foster Fijian Owner based ventures whether it is large-scale developments, eco-tourism or backpacker operations.

To achieve this aim NLTB is currently reviewing its tourism policies to work closely with all major stakeholders to implement the Fiji National Tourism Plan 1998-2005. Our benchmark will always be optimum returns and benefit to the Fijian landowners that will not only benefit them but everyone. We believe that the rental % based on gross receipts should continue to be the method to levy annual rental in our future tourism leases. Further, tourism operators should continue to explore opportunities in employment, training, education and ancillary businesses that will foster cordial relations with the Fijian Landowners.

NLTB will review lease terms and conditions coupled with economical business rental rates to attract potential investors to develop on native land. There are some who say that native land is quite unattractive but let me assure you that we are always flexible to sound fair leasing arrangements that ensures mutual benefit to both parties. Some say that the goodwill premiums paid upfront is too high and unrealistic. However, to those concerned all I can say that NLTB is trying its best to weigh the competing interests of optimum

return to the landowner who has to part with exclusive possession over 99 years lease with that of the developer's interest to recover capital costs and make quick profit.

Whilst tourism has been concentrated in the Western Division of Fiji, we had also been part of an initiative in 1999 for a project in Vanua Levu which was anticipated to provide an economic catalyst for much awaited development of untapped resources in the Northern Division. Whilst we had expended around \$0.4million on professional consultative work, we are hoping that other stakeholders including Government will come in to facilitate further consultative work, infrastructure development and other assistance.

NLTB is also aware of the increase in backpacker and eco-tourism type operations in particular the outer islands of Yasawas, Lomaiviti and Kadavu. These ventures are mainly operated by Fijian Owners and would like to ensure that such initiatives observe set standards. The challenge before us is to work closely with all stakeholders on how best to coordinate and manage these existing initiatives on native land.

Landowners Participation

It is therefore imperative that NLTB takes on an enhanced role in providing advice to landowners with regards to the management of their resources and also at the same time explore better opportunities for their participation in the industry . A note of caution it must be careful that whatever advice NLTB gives out does not come back to haunt it when the benefits of such advice do not materialise. Hence, NLTB needs to be thorough, transparent and accountable to the decisions it has to make in all the major tourism developments.

To do this, I must admit that NLTB itself gets its house in order and geared up for this challenge. It must be certain that it is competently and effectively attending to its core function first before it ventures out to undertake this bigger role in a major way. We believe that we are making progress in this direction but admittedly there are still a lot of room for improvement. On this our Board recently approved a restructure of our organisation this week with the aim to improve our customer services and enable us to perform both our statutory and national role of land provider more effectively. It is important to mention also that this bigger role of NLTB's must merge in with the efforts

being made by other stakeholders such as FAB, the Provincial Administration, and the Government. There are pressures that we have to contend with, for example there is continuous pressure for our poundage to be further decreased from its current 15%. Without the usual subvention from Government to support NLTB the taking on of this bigger role will have to be funded from internally generated resources. In spite of all these challenges, NLTB must take on this bigger role. The step must be taken from not only developing the land but also contributing to the wholesome development of the landowner hence to enhance landowner participation.

I have listed a number of ways in which tourism lessees and NLTB can do this. The list is by no means exhaustive but it provides a starting point that can be developed on:

- (1) **Encourage Landowners to take up Management Positions in the Industry.** This can only be achieved through better education, experience and commitment from the Fijian landowners with appropriate support from the Lessees/Hotel Owners. Such support is providing assistance in education plans, scholarships, training schemes earmarked for landowners to participate and grow in the business.
- (2) **Encourage landowners to invest in Tourism related Education.** This maybe achieved by having lease conditions on major projects to include Education and Training of Resource Owners and has been a part of our leasing conditions on tourism leases. However, the lessees/hotel owners need to comply and put in place plans for landowners education
- (3) **Efficient Communication and Awareness** – I suggest the industry should work with the proposed Tourism Resource Owners Association to mutually look into the interests of landowners wherein projects/developments are already in existence. The continued role of the Roko Tui Tourism in creating awareness to landowner is appreciated and NLTB is also working on the translation of the tourism leases into the Fijian vernacular that will assist in the understanding of the rights and obligations in the agreements.
- (4) **Encourage Resource Owner involvement as active partners in businesses along with their Lessees/Hotel Operators.** This is being done to a limited extent now through some of our Tourism leases, but could be greatly enhanced to

follow the example recently taken by the landowners in Nadi to acquire villas as part of the Hilton Denarau project. In Vuda, one of the Tokatoka has acquired 50% ownership of one of the major island resorts off Lautoka. There is a possibility of providing free issue shares to landowners and option to buy shares in the future when the opportunity arises.

CONCLUSION

In a nutshell, NLTB sees that it has a definite role to play in seeing that landowners themselves are involved in business and investment as well as enhancing their level of participation instead of being mere recipients of lease monies on a six (6) monthly basis and using such funds primarily for consumption purposes.

For tourism leases, although there are already conditions that encourage landowner participation, the hotel owners/lessees need to ensure they fully comply and involve them in their operations. When landowners are educated with appropriate skills and expertise, there can be minimal disturbances from them since they have confidence and trust in the business. When this happens, there is guarantee for a good and harmonious relationship with the landowners that is critical to the success and prosperity of the industry.

Ladies and Gentlemen, Vinaka vakalevu!